



576 Johnsville Road
Sykesville, MD 21784

TO: Finance Committee
FROM: LeadingAge Maryland
SUBJECT: Senate Bill 721, Labor and Employment - State Minimum Wage Rate - Increase
DATE: March 10, 2022
POSITION: **Unfavorable**

LeadingAge Maryland opposes Senate Bill 721, Labor and Employment - State Minimum Wage Rate – Increase.

LeadingAge Maryland is a community of more than 135 not-for-profit aging services organizations serving residents and clients through continuing care retirement communities, affordable senior housing, assisted living, nursing homes and home and community-based services. Our mission is to expand the world of possibilities for aging in Maryland. We partner with consumers, caregivers, researchers, public agencies, faith communities and others who care about aging in Maryland.

Senate Bill 721 would eliminate the current phase-up of the State’s minimum wage and immediately increase it to \$15.00 beginning July 1, 2022. The State’s current minimum wage is \$12.50/hour.

Workforce recruitment and retain is a significant challenge for those in the health care industry. For workers employed in these settings, we recognize that the work is both emotionally challenging and physically difficult. Being able to pay a higher wage would help mitigate workforce challenges. However, for providers that participate in the State’s Medicaid program, their ability to pay is directly linked to Medicaid’s reimbursement rates. As it stands, Medicaid fails to reimburse providers the amount necessary to cover the cost of care, which was documented in a recent study.¹ The differential between the Medicaid reimbursement rates and the cost to provide care has only been exacerbated by the COVID-19 pandemic and recent inflationary trends. Therefore, we oppose Senate Bill 721 for two reasons:

¹ *House Bill 1696 (Chapter 798 of the Acts of 2018) – Rate Methodology Study*

1. The original legislation that initiated the phase-up to increase minimum wage also mandated rate increases for Medicaid providers to offset the cost of each minimum wage increase. The legislation required a four percent increase for each of the fiscal years – 2023, 2024, 2025 and 2026. Senate Bill 721 accelerates the wage but fails to accelerate the corresponding rate increase. Medicaid providers cannot absorb this steep increase in minimum wage without the corresponding Medicaid rate increases.
2. Apart from the Medicaid budget, for those providers that accept private pay residents or clients, the quickened pace of increasing to \$15.00/hour three years ahead of schedule will also have a detrimental effect on operations. Providers simply cannot pivot or absorb this steep rate increase with such short notice or all in one year.

Therefore, we strongly believe that Senate Bill 721 will not solve workforce issues in the health care industry but will only strain current financial operations and reduce quality of care.

For these reasons, LeadingAge Maryland respectfully requests an unfavorable report for Senate Bill 721.

For more information, please contact Aaron J. Greenfield, 410.446.1992